

**SURREBUTTAL TESTIMONY OF GREGORY M. LANDER
ON BEHALF OF THE SOUTH CAROLINA COASTAL CONSERVATION
LEAGUE AND SOUTHERN ALLIANCE FOR CLEAN ENERGY**

DOCKET NO. 2022-1-E

1 **Q: PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A: My name is Gregory M. Lander. I am President of Skipping Stone, LLC (“Skipping
3 Stone”). As President, I lead Skipping Stone’s Energy Logistics and Energy
4 Contracting practice line. My business address is 83 Pine Street, Suite 101,
5 Peabody, MA 01960.

6 **Q: ARE YOU THE SAME GREGORY LANDER WHO PROVIDED DIRECT
7 TESTIMONY IN THIS PROCEEDING?**

8 A: Yes.

9 **Q: WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10 A: The purpose of my surrebuttal is to respond very briefly to two new issues presented
11 in the rebuttal testimony submitted by Duke Energy Progress (“DEP” or
12 “Company”) Witness James J. McClay, III. Specifically, my testimony will (1)
13 explain why it is appropriate to address the Company’s resource mix in these annual
14 fuel rider proceedings and (2) provide some clarification regarding my forecast
15 recommendations that Witness McClay seems to have misunderstood.

16 **Q: PLEASE SUMMARIZE WITNESS MCCLAY’S RESPONSE TO YOUR
17 RECOMMENDATION THAT THE COMPANY USE WIND AND SOLAR
18 ENERGY TO THE FULLEST EXTENT POSSIBLE TO HEDGE AGAINST
19 FOSSIL FUEL PRICE VOLATILITY IN THE FUTURE.**

1 A: Witness McClay states that though the Company “generally agrees that renewable
2 energy resources are important components of the continued reliability and
3 resiliency of the electric grid,” it does not believe the fuel rider proceeding, as
4 governed by S.C. Code Ann. § 58-27-865, is the “appropriate forum in which to
5 evaluate these resources.”¹ Instead the Company believes that “resource planning
6 discussions” should take place only in Integrated Resource Planning (“IRP”) proceedings, pursuant to S.C. Code Ann. § 58-37-40.²

8 **Q: DO YOU AGREE THAT DISCUSSIONS ABOUT THE COMPANY’S**
9 **RESOURCE SHOULD BE LIMITED TO IRP PROCEEDINGS, AND ARE**
10 **NOT RELEVANT IN THIS PROCEEDING?**

11 A: No. While IRP proceedings may be the appropriate forum in which to make
12 resource planning *decisions*, the Company’s resource generation mix is the single
13 biggest factor affecting the fuel costs passed to customers, and it simply makes no
14 sense to prevent any *discussion* of that central issue in the very proceedings
15 addressing those costs. Annual fuel rider proceedings provide the Public Service
16 Commission of South Carolina (“Commission”) with special insight into the fuel
17 costs associated with the Company’s current generation mix and thus are an
18 appropriate forum to have resource planning *discussions*.

19 To elaborate, consider that the Company’s under collection over the Review
20 Period and corresponding proposal to increase customer bills by \$10.15 was driven
21 primarily by increasing natural gas prices.³ In this way, the Company’s prior

¹ Rebuttal Testimony of James J. McClay III, p. 6, lines 1-4.

² *Id.* p. 6, lines 4-7.

³ Direct Testimony of Dana Harrington, pp. 21, line 11, to pp. 22, line 2.

resource planning decisions—specifically, building natural gas generation resources—has exposed customers to additional cost burdens associated with fuel cost volatility. In fact, because the Company passes all reasonable fuel costs to customers through the annual fuel rider, customers—not the Company—bear the risk associated with fuel cost volatility. In contrast, to the extent the Company relied on renewable generation over the Review Period, it reduced fuel cost expenditures and insulated customers from fuel cost risk, thereby reducing costs passed to customers through the fuel rider. As such, annual fuel recovery proceedings, which squarely address pass-throughs of fuel costs to customers, are an appropriate forum in which to evaluate the risks to customers of past and future investment in various generation resources.

Q: DOES SOUTH CAROLINA LAW PREVENT CONSIDERATION OF THE COMPANY’S RESOURCE GENERATION MIX IN ANNUAL FUEL PROCEEDINGS?

A: No. To the contrary, S.C. Code Ann. Section 58-27-865(F) requires that:

the commission [] disallow recovery of any fuel costs that it finds without just cause to be the result of failure of the utility to make *every* reasonable effort to minimize fuel costs or *any* decision of the utility resulting in unreasonable fuel costs, giving due regard to reliability of service, economical generation mix, generating experience of comparable facilities, and minimization of the *total* cost of providing service.

(emphasis added). The law governing this proceeding thus permits the Commission to consider “*any* decision of the utility resulting in unreasonable fuel costs” and whether the Company took “*every* reasonable effort to minimize fuel costs.” Those

1 inclusive terms certainly allow—even require—consideration of resource planning
2 decisions that have a bearing on the amount of fuel costs the Company seeks to
3 recover in annual fuel proceedings. In assessing a utility’s fuel costs, the
4 Commission must also give due consideration to “economical generation mix” and
5 “minimization of the total cost of providing service,” which appears to permit
6 consideration of resource planning decisions with the potential to impact fuel costs.

7 **Q: IN THE SUMMARY, YOU MENTIONED THAT DEP WITNESS MCCLAY**
8 **MISUNDERSTOOD THE FORECAST RECOMMENDATION MADE IN**
9 **YOUR DIRECT TESTIMONY. IN WHAT WAY DID WITNESS MCCLAY**
10 **MISUNDERSTAND YOUR FORECAST RECOMMENDATION?**

11 A: Witness McClay seems to think that I was recommending that the Company
12 *incorporate* new data into its primary forecast used to estimate fuel costs over the
13 Billing Period. In fact, my primary forecast recommendation was for the Company
14 to provide an *additional* forecast that would be purely informational, and
15 specifically give the Commission insight into the potential impacts of price spikes.
16 The second part of my forecasting recommendation regarding month-by-month
17 forecasts was also only intended to provide the Commission with additional
18 information rather than substantively change any aspect of the Company’s fuel
19 rider.

20 **Q: PLEASE PROVIDE CLARIFICATION ON THE FORECASTING**
21 **RECOMMENDATIONS MADE IN YOUR DIRECT TESTIMONY.**

22 A: The first aspect of my forecasting recommendation was for the Commission to
23 require the Company to file in annual fuel proceedings an *additional* forecast that

1 illustrates the impact of potential gas fuel price spikes on the Company's forecasted
2 fuel costs.⁴ As set out in my direct testimony, I recommended that the Company
3 develop this additional (and purely informational) forecast (which I will refer to as
4 the "Price Volatility Forecast") using historical data to inform its projections of the
5 frequency, duration, and magnitude of future price spikes of 15% or greater from
6 the average price. Again, contrary to Witness McClay's understanding, I was *not*
7 recommending that the Company incorporate that forecast into its primary fuel cost
8 forecast that it uses to estimate costs over the Billing Period. Rather, I was merely
9 suggesting the Company include this additional forecast in its annual filing to
10 provide information to the Commission about the potential impacts of these price
11 spikes on customers if they were to recur.⁵

12 The second aspect of my forecasting recommendation was for the
13 Commission to require the Company to file the prior forecast that was prepared for
14 the Review Period, broken down month-by-month and the prior year's Price
15 Volatility Forecast, also broken down month-by-month. Filing these two forecasts
16 will facilitate a backwards looking comparison between the actual prices of the
17 Review Period, as reported in that proceeding, the Company's forecast for the
18 Review Period, and the Price Volatility Forecast. Again, these filings would be
19 purely informational and would provide the Commission with information that
20 would shed light on 1) the accuracy of the Company's past forecast and 2) whether
21 the Company's volatility mitigation strategies—such as financial and physical

⁴ See Rebuttal Testimony of James J. McClay III, p. 10, lines 8-12, p. 12, lines 13-16 (suggesting that Witness Lander's forecast recommendation be "incorporated" in the Company's core forecasting processes).

⁵ See Direct Testimony of Gregory M. Lander, pp. 19, line 11, to pp. 20, line 20.

1 hedging—are effective.⁶ In addition, Witness McClay seems to think I was
2 recommending that the Company file a forecast *every* month,⁷ but I was merely
3 recommending that the Company provide these forecasts that show the data broken
4 out by month.

5 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

6 A: Yes.

⁶ *Id.* p. 20, line 21, to p. 21, line 11.

⁷ *See* Rebuttal Testimony of James J. McClay III, p. 13, lines 9-12.

I hereby certify that the parties listed below have been served via first class U.S. Mail or electronic mail with a copy of the *Surrebuttal Testimony of Gregory M. Lander* of the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy.

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This 1st day of June, 2022.

s/Kate Lee Mixson